

Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

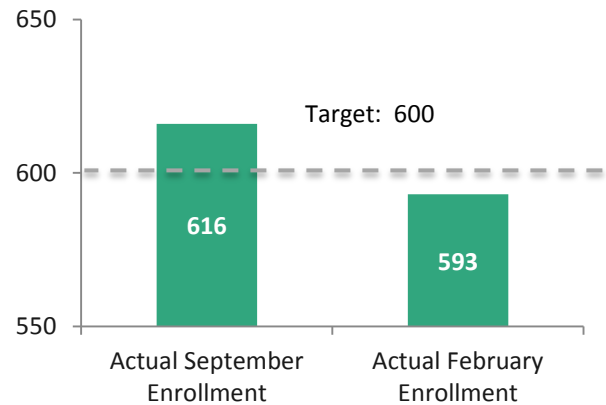
2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?							
Indicator Targets	Does not meet standard		The school does not meet standard on 2 or more of the five sub-indicators shown below.				
	Approaching standard		The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator.				
	Meets standard		The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator.				
	Exceeds standard		The school meets standard for all 5 sub-indicators.				
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Not available		ES	AS	MS		
Sub-indicator Ratings	Sub-	Sub-indicator targets				Result	Rating
	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%			103%	MS
		AS	Enrollment ratio is between 90 – 98%				
		MS	Enrollment ratio equals or exceeds 99%				
	February Enrollment Variance	DNMS	Enrollment ratio is less than or equal to 89%			99%	MS
		AS	Enrollment ratio is between 90 – 95%				
		MS	Enrollment ratio equals or exceeds 95%				
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0			2.37	MS
		AS	Current ratio is between 1.0 – 1.1				
		MS	Current ratio equals or exceeds 1.1				
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30			35	AS
		AS	Days cash on hand is between 30-45				
		MS	Days cash on hand equals or exceeds 45				
	Debt Default	DNMS	Default or delinquent payments identified			Meets	MS
		MS	Not in default or delinquent				

Paramount School of Excellence received a rating of **Meets Standard** for Core Question 2.1 for the 2014-15 school year.

Based on data from the September 2014 count day, the school met the enrollment targets stated in its charter agreement, enrolling 616 students. By February, enrollment dropped to 593, as indicated by the Enrollment Variance calculation. As a result, the school **met standard** for both the enrollment ratio and the February Enrollment Variance.

The school had more current assets than current liabilities (those due in the next 12 months). Thus, it **met standard** for the current ratio sub-indicator.

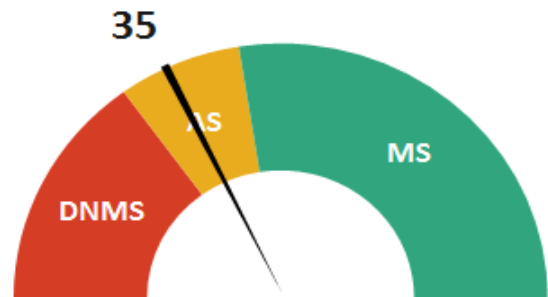
Enrollment Variance Ratio



Paramount School of Excellence ended the year with 35 days of cash on hand. This means that if payments to the school had stopped or been delayed post June 30, 2015, the school would have been able to operate for 35 more days. Based on this data, the school **approached standard** for this sub-indicator.

Finally, the school successfully met its debt obligations based on the information that Fitzgerald Isaac, the school's auditor, provided. Furthermore, there have been no negative communications from the school's lenders. Since the school met standard for all but one of the sub-indicators in core question 2.1, it receives a rating of **Meets Standard** for this section of the core question.

Days Cash on Hand



2.2. Long-term Health: Does the organization demonstrate long-term financial health?							
Indicator Targets	Does not meet standard		The school does not meet standard on any of the 3 sub-indicators OR meets standard on 1 sub-indicator but does not meet standard on the remaining 2.				
	Approaching standard		The school meets standard on 2 of the sub-indicators while not meeting on the third, OR approaches standard on all 3 sub-indicators.				
	Meets standard		The school meets standard on 2 of the sub-indicators and approaches standard on the third.				
	Exceeds standard		The school meets standard for all 3 sub-indicators.				
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Not available			ES	ES		
Sub-	Sub-	Sub-indicator targets				Result	Rating
	Aggregate Three-Year	DNMS	Aggregate 3-year net income is negative.			\$2,265,531 (aggregate) \$279,333 (current year)	MS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.				
		MS	Aggregate three year net income is positive, and most recent year is positive.				
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95			.55	MS
		AS	Debt to Asset ratio is between .9 - .95				
		MS	Debt to Asset ratio is less than or equal to .9				
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05			2.66	MS
		AS	DSC ratio is between 1.05-1.2				
		MS	DSC ratio equals or exceeds 1.2				

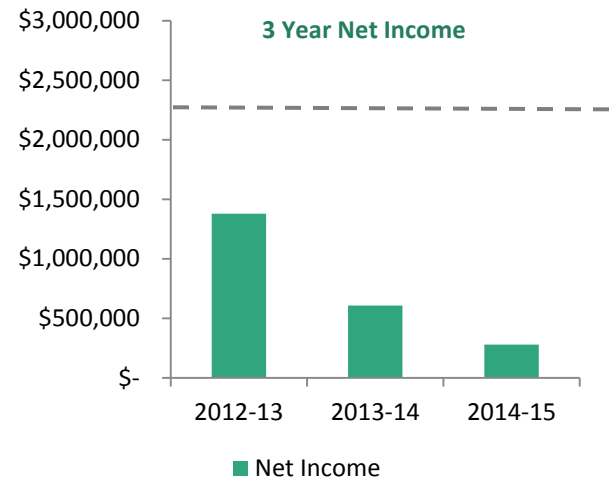
The school **met standard** for the net income sub-indicator. It had an aggregate three-year net income of **\$2,265,531** and a positive net income **\$279,333** for fiscal year ending June 30, 2015.

The school also **met standard** on the debt to asset ratio sub-indicator. The school had a ratio of **.55** meaning that its total assets exceeded its total debts.

Additionally, the school **met standard** for the sub-indicator regarding debt service coverage ratio. This means that the school can service all of its current portion of long term debt via its operating income. It has **\$323,650** of its total long-term debt of **\$4,156,182** due by the end of fiscal year 2016. Paramount's loan payable will reach maturity in July of 2018. In that year, the school will owe the largest payment of its debt in the amount of **\$3,648,040**. It should be noted, however, that the school will be incurring more debt to finance upcoming construction projects.

Since the school **met standard** for all three sub-indicators of core question 2.2, it received a rating of **Exceeds Standard** for this section of the core question.

Three-Year Net Income



2.3. Does the organization demonstrate it has adequate financial management and systems?							
Indicator Targets	Does not meet standard		The school does not meet standard on 1 of the sub-indicators.				
	Approaching standard		The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.				
	Meets standard		The school meets standard on both sub-indicators.				
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Not available			MS	DNMS		
Sub-indicator Ratings	Sub-indicator	Sub-indicator targets					Rating
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern.				DNMS
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.				
		MS	The school receives a clean audit opinion.				
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.				DNMS
		MS	The school satisfies all financial reporting requirements.				

Paramount School of Excellence received a rating of **Does Not Meet Standard** for Core Question 2.3 for the 2014-15 school year.

The school **did not meet standard** on its financial audit. Fitzgerald Isaac, the school's auditor, identified several material weaknesses within the school's internal financial controls. In the OMB Circular A-110, the portion of the audit responsible for explaining federal funds management, auditors determined that the school overstated its operating results, requested reimbursements for costs that were not allowable under Title I grant guidelines, and compiled Annual Title I Expenditure Reports that stated budgeted expenditures rather than actual accounting expenditures.

Fitzgerald Isaac had several recommendations for the school. First, the auditor advised the school to implement procedures to assure that general ledger accounts are supported by accurate and timely account reconciliations. Moreover, the auditors recommended that the school implement a process to classify costs at the time expenditures occur to ensure that these expenses fall within grant guidelines .

The school cited miscommunication between its contracted bookkeepers and internal school accounting personnel as a key cause behind the aforementioned improper grant reimbursement. Starting in school year 2015-2016, Paramount School of Excellence hired an internal controller who will be responsible for implementing many of the procedures suggested by the auditors. Going forward, the school will handle all of its accounting processes, including grant management, internally.



Core Question 2: Financial Performance Framework
Paramount School of Excellence

Additionally, Paramount School of Excellence **did not meet standard** on its financial reporting requirements, as the school only submitted 46% of its financial documents into OEI in a timely manner. It should also be noted that OEI received the school's draft audit on April 4th, 2016, well beyond the November 30th, 2015 deadline.